

COUNTY OF YORK

MEMORANDUM

DATE: August 4, 2003 (BOS Mtg. 8/19/03)

TO: York County Board of Supervisors

FROM: James O. McReynolds, County Administrator

SUBJECT: Capital Project Financing

The capital improvements program for the current fiscal year includes several County projects which are to be financed wholly or in part with borrowed funds. The specific projects include the Yorktown Revitalization Project, the Emergency Communications System Upgrade, and the fire and rescue equipment replacement approved by the Board last spring.

The County is generally able to borrow funds on a tax exempt basis. However, portions of the Yorktown Revitalization Project, specifically the buildings to be occupied as retail sales facilities, will not qualify for tax exempt borrowing. In order to avoid the higher issuance costs, higher interest rates, and additional cost administering taxable borrowings, it is recommended that we use the cash on hand which is designated for these projects for the portion of the projects that do not qualify for tax exempt borrowing and issue debt for the portion of the projects that are tax exempt. This will not increase the amount of debt to be issued (\$18 million total with \$11 for the Yorktown Projects, \$4.5 for Communications, and \$2.5 for fire and rescue), but will reduce the overall costs and administration of borrowing.

The County has advanced funds from its capital funds to finance part of these projects until the bond sale planned for later this year. As required, the Board has adopted resolutions stating the intent to reimburse the County for these expenditures from bond proceeds. Staff is still working with our Bond Counsel and our Financial Advisor to determine which elements of these capital projects to include in the tax exempt debt issue. In order to provide greater flexibility for dealing with debt proceeds and to preserve the County's ability to finance the purchase of the system with tax-exempt debt under Internal Revenue Service regulations, staff recommends that the Board adopt resolutions raising the amount of potential reimbursement for Yorktown Revitalization Project and the Emergency Communications System Upgrade to \$10 million each.

Adoption of these resolutions does not obligate the County to issue bonds; and, as previously stated, will not increase the amount of debt to be issued for these projects.

Proposed Resolutions R03-125 and R03-126 have been prepared for the Board's consideration, and I recommend their adoption. The County Attorney and Bond counsel have reviewed these resolutions and approved them as to form.

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Attachment: Proposed Resolution R03-125
Proposed Resolution R03-126